
HLABISA MUNICIPALITY

ANNUAL BUDGET

2015/2016 TO 2017/2018

MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS

PURPOSE

To seek Council approval in terms of section 16 of the Municipal Finance Management Act No. 56 of 2003, for the 2015/16 Draft Budget.

PART 1

1.1 MAYOR'S REPORT

His worship the Mayor started his speech by emphasizing the importance of sticking to the Vision and Mission of Hlabisa Municipality as these are the keys in uplifting the lives of our local community.

Vision

“A prosperous and sustainable municipality ensuring the provision of basic services, skills, quality life and economic opportunities”

Mission Statement

- Exploring and exploiting natural resources and opportunities that we have,
- Through cooperative and collaborative working relations with all stakeholders, and
- Eradicating the vicious cycles of poverty, unemployment and other social ills.
- By enhancing our systems and processes to promote good governance,
- By upholding BATHO PELE Principles

Although our municipality is located in a rural place that is mostly harmed by high rate of unemployment, Illiteracy and other negative factors that hinder progress and service delivery to the local community. Hlabisa Local Municipality intend to do more with the available resources in order to enhance service delivery that aims at improving the quality of life for all people within it geographical area, Draft Budgeting is essential about choices that the municipality has to make between competing priorities and fiscal realities. As Hlabisa Municipality we need to remain focused on the effective and efficient delivery of core municipal services. The application of sound financial management principles is crucial to ensure that the municipality remains financial viable, and that sustainable municipal services are provided to the community at large.

In support to our objective of improving peoples life's through service delivery with the usage of available resources, the municipality has considered the following Turnaround strategies:

- Good corporate governance
- Transformation of infrastructure
- Financial viability and sustainability
- Management change and organisational review

A detailed delivery agreement has been developed to extend targets and responsibilities to National and Provincial departments, Hlabisa Local Municipality's financial plan must take into account some outcomes when developing its budget. It is of vital importance that the municipality must perform the following:

- Improve municipal financial and administrative capacity by implementing competency norms and standards.
- Ensure that capital budgets are appropriately prioritised and fully involved in community consultation process around IDP, Budget and other related service delivery issues.
- Review the municipal expenditures to eliminate fruitless and wasteful expenditures.
- Ensure effective maintenance and rehabilitation of infrastructure.
- Ensure effective spending of grants for funding extension.

1.2 Council Resolutions

On the 31st of March 2015 the Council of Hlabisa Local Municipality met in the Council Chamber of Hlabisa Local Municipality to consider the draft budget of the municipality for the financial year 2015/2016. The Council approved the following resolutions:

The Council of Hlabisa Local Municipality, acting in terms of section 16 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:

- 1.2.1 The annual Draft budget of Hlabisa Local Municipality for the financial year 2015/2016 , the multi year and single year capital appropriations as set out in the following tables:
- 1.2.2 Budgeted Financial performance (revenue and capital expenditure by standard classification) as contained in table A2 of the 2015/2016 Draft budget.
- 1.2.3 Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in table A3 of the 2015/2016 Draft budget.
- 1.2.4 Budgeted Financial Performance (revenue by source and expenditure by types) as contained in table A4 of the 2015/2016 Draft budget.
- 1.2.5 Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table A5 of the 2015/2016 Draft budget.
- 1.2.2 The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
- 1.2.3 Budgeted Financial Position as contained in Table A6 of the 2015/2016 Draft budget.
- 1.2.4 Budgeted Cash Flows as contained in Table A7 of the 2015/2016 Draft budget.
- 1.2.5 Cash backed reserves and accumulated surplus reconciliation as contained in Table A8 of the 2015/2016 Draft budget
- 1.2.6 Asset management as contained in Table A9 and of the 2015/2016 Draft budget and
- 1.2.7 Basic service delivery measurement as contained in Table A10 of the 2015/2016 Draft budget.

The Council of Hlabisa Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts:

The tariffs for property rates and tariffs for other services – as set out in supporting table SA13.

1.3 EXECUTIVE SUMMARY

In terms of chapter 4, section 16 of the Municipal Finance Management Act (MFMA), no 56 of 2003, the Draft operational and capital budget must be tabled by the Mayor at a council meeting 90 days before the start of the budget year.

The draft budget is set out under the following headings:

- Operational budgets
- Budget assumptions
- Capital budget
- Proposed tariff structures
- Measurable performance objectives for revenue

- Service agreements
- New budget regulations
- Budget related policies
- Public input
- Publication of budgets
- Draft resolutions

National Treasury's MFMA Circular No. 70 and 72 were used to guide the compilation of the 2015/16 MTREF.

The following budget principles and guidelines directly informed the compilation of the 2015/16 MTREF:

- The 2014/15 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2015/16 budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water and electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;

Overview of Budget Related Policies

This section gives a broad overview of the budget policy framework and highlights the policies that were approved by Council by 3 July 2014

NAME OF POLICY	DATE OF FINAL APPROVAL
Property Rates Policy	03 July 2014
Tariff Policy	03 July 2014
Cash and Investment Policy	03 July 2014
Credit Control & Debt Collection Policy	03 July 2014
Budget Policy	03 July 2014
Budget virement Policy	03 July 2014
Supply Chain Management Policy	03 July 2014
Asset Management Policy	03 July 2014
Indigent Support Policy	03 July 2014

Tariffs for 2015/2016 are as follows after they have been adopted by council on the 3rd of July 2014

Property Rates

1. Residential properties 0.0130221
2. Business Properties 0.0161385
3. Specialized Properties 0.0317205

Refuse Removal

1. Residential Properties R 135 pm Fixed
2. Businesses R 180 pm Fixed
3. Government Properties R 180 pm Fixed

Table1 Consolidated Overview of the 2015/16 Draft Budget

R thousand	Adjustment Budget 2014/15	Budget Year 2015/16	Budget Year 2016/17	Budget Year 2017/18
Total Operating Revenue	55, 816 103	70,497 110	74, 442,1234	78,204,301
Total Operating Expenditure	54,839,111	65,555,000	72,935,000	75,141,101
(Surplus)/Deficit for the year	15, 404,201	19,287, 301	16 255 101	18, 415 101
Total Capital Expenditure	15,225,452	16,548,000	18,398,000	17,358,000

Total operating revenue has Increased R14,6m for the 2014/15 financial year compared to the 2014/15 Adjustment Budget. For the two outer years , operational revenue will increase by 19 and 10 per cent. Total operating Expenditure for the 2015/16 financial year has been appropriated at R65,5m and translates into a budgeted surplus of R19,281m when compared to the 2014/15 Adjustment Budget operating expenditure has grown by 9 per cent in the 2014/15 budget and decrease by 23 and 9 percent for the outer years of the MTREF. The operating operating surplus for the two outer years steadily decreases to R16, 2m and then stabilise at R18,4m compare to current 2015/2016 surplus. The Capital budget of R16,5m for 2015/16 has increased by R1,3m when compared to the 2014/15 Adjustment Budget. The Increase is because of Increase of National Allocation of MIG and internal Generated fund has also increase as the municipality intend to buy new municipal vehicles.

1.4 OPERATING REVENUE FRAMEWORK

The operating budget summary provides information on both income activities in line with the approved budget and the proposed adjustment budget for the year under- review and the following will be discussed:

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy
- Efficiency revenue management, which ensures annual collection rate for property rates and other key service charges
- The municipality's Indigent Policy and Rendering of free basic Services

Table 2 Summary of revenue classified by main revenue source

KZN274 Hlabisa - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description R thousand	Ref 1	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Revenue By Source											
Property rates	2	259	358	319	1 086	475	475	475	665	990	1 130
Property rates - penalties & collection charges	2	129	41	–	–	–	–	–	–	–	–
Service charges - electricity revenue	2	–	–	–	–	–	–	–	–	–	–
Service charges - water revenue	2	–	–	–	–	–	–	–	–	–	–
Service charges - sanitation revenue	2	–	–	–	–	–	–	–	–	–	–
Service charges - refuse revenue	2	232	141	85	43	60	60	60	80	90	48
Service charges - other		–	–	–	–	–	–	–	–	–	–
Rental of facilities and equipment		207	311	157	339	237	237	237	282	294	207
Interest earned - external investments		852	577	703	360	360	360	360	372	361	384
Interest earned - outstanding debtors		–	–	–	32	32	32	32	33	34	36
Dividends received		–	–	–	–	–	–	–	–	–	–
Fines		1 623	545	68	200	42	42	42	300	350	300
Licences and permits		282	176	142	2 051	1 508	1 508	1 508	2 405	2 951	3 589
Agency services		–	–	–	–	–	–	–	–	–	–
Transfers recognised - operational		59 055	44 080	46 777	49 802	49 928	49 928	49 928	65 952	69 169	72 180
Other revenue	2	1 010	333	984	53	1 025	1 025	1 025	158	205	180
Gains on disposal of PPE		–	–	–	2 150	2 150	2 150	2 150	250	–	150
Total Revenue (excluding capital transfers and contributions)		63 648	46 562	49 236	56 116	55 816	55 816	55 816	70 497	74 442	78 204

1.3.1 Property rates

This refers to property rates income that the municipality collects as budgeted. The annual budget for property rates amounted to R665 390. The 28 percent increase in the 2015/2016 when compared to the adjustment budget amount of R475 108 is because of the tariff increase in property rates charges. What also increased the anticipated revenue on property rates are the changes of market values of properties as per the new valuation roll that was implemented in 2014/2015 financial year. The review of the Property Rates Policy also contributed to the increase in the property rates revenue for 2015/2016 financial year as well as the two outer years because the policy only allows for the R15 000 rebate on residential properties which is according to the MPRA provisions than compared to the 2013/2014 Property Rates Policy which was allowing R55 000 rebate.

1.3.3 Service Charges

This refers only to refuse removal income that the municipality collects as budgeted. The annual budget for service charges amounted to R80 000.00 for 2014/2016 when compared to R42 840 for 2014/2015 financial year. This increase is due to additional collection points identified for 2015/2016 financial year as well as the increase in refuse collection tariff

1.3.4 Rental of Facilities and Equipment

This refers to the rentals and hiring of municipal facilities, the municipality budgeted R282 236. The reason for this increase compare to 2014/2015 adjustment budget is due to the increase in tariffs that have been approved by councillor 2015/2016 financial year it increased by R45 236.

1.3.5 Interest Earned

This refers to the combination of monies invested by the municipality as well as its entity in various financial institutions both on call and fixed investments deposit accounts as well as interest on outstanding debtors.

1.3.5.1 External Investments

The budget for investment revenue is R372 000. The municipality will invest all monies not yet used and only withdraw those funds when they are to be used. This budget also includes grant funding received in the prior years that is invested since 2005 from Department of Human Settlements.

1.3.5.2 Outstanding Debtors

The anticipated interest for late payment of debtors account is R33 075 for 2015/2016 financial year. It will increase by 5 per cent in the two outer years.

1.3.6 Licences and Permits

The budget for Licences and Permits is R2,404m in 2015/2016 financial year, this amount has increased from R1,5 211m of the 2014/2015 adjustment budget. The increase is based on the upgrade of the Hlabisa Testing station from Grade F to Grade B. The increase was due to the reason that we got lot of people who are tested on licenses and our tasting dates are fast compared to other Institutions, so we are able collect more revenue on monthly basis.

1.3.7 Traffic Fines

The budget for traffic fines is R300 000.00 for 2015/2016, the reason this increase when compared to the 2014/2015 adjustment budget of R42 000 is based on the target of Traffic Officers who will be implementing law enforcement within the jurisdiction of Hlabisa Municipality. The increase of staff in the Traffic section has contributed to the increase of revenue to be generated within this section and the addition of working resources will contribute in generating this revenue resources like alcohol taster, as in 2014/2015 financial we had a problem of working resources like speed camera which was expired and we had no alcohol taster so as a results were had no choice during adjustment budget but we were supposed to decrease the budget, as all those issues has been taken into consideration by the start of 2015/16 financial year all working resource's and traffic staff will be in line.

1.3.8 Transfers Recognised- operational

This refers to operating grants gazetted during the year under-review by both National and Provincial Treasuries. The approved budget for these is R 65 592m which includes National Electrification Programme, FMG, MSIG, Library Subsidy and EPWP Incentives Grant and Equitable Share allocation.

1.3.8.1 Transfers Recognised- Capital

This refers to Capital grants gazetted during the year under-review by National Treasury amounted to R14 548 000 for MIG projects

1.3.9 Other Own Revenue

Included on other own revenue are Bill Boards income, Sundry income, telephone costs recovered and sale of bid document etc. For this revenue source, an amount of R158 000 was approved.

-Gains on disposal of PPE

The amount of sale of sites R250 000 was allocated on gain on disposal of PPE, the municipality anticipate to sell these assets. The process of disposal of this asset is through open tender process where we accept the highest bidder offer.

Percentage growth in revenue by main revenue source

Revenue By Source	Current year 2014/15 Adjusted Budget	%	Budget Year 2015/16	%	Budget Year 2016/17	%	Budget Year 2017/18	%
Property Rates	474652	0.70%	665390	0.90%	990000	0.90%	1033000	1%
Service Charges	42840	0.30%	80000	0.30%	90000	0.40%	47592	0.20%
Rental of Facilities	237000	0.40%	282236	0.50%	293500	0.40%	206824	0.40%
Interest External Investment	360000	0.60%	372000	0.60%	360600	0.50%	384000	0.60%
Interest Outstanding Debtors	31500	0.20%	33075	0.20%	33700	0.20%	36000	0.20%
Fines	42000	0.50%	300000	0.50%	350000	0%	300000	0.50%
Licenses and Permits	1508141	3%	2404737	3%	2950500	4%	3589275	4%
Transfers Operational	49928000	89%	65952000	93%	69169000	92%	72180000	92%
Other Revenue	1025092	1%	158101	0.40%	205111	0.40%	180210	0.30%
Gains on Disposal PPE	2150000	4%	250000	0.40%		0.00%	150000	0.30%
Total Revenue	55816000	100%	70497138	100%	74442000	100%	78203454	100%

The above table shows percentages per category that constitute to the total Revenue for 2015/2016 financial year. The tables shows us that we are more depending on Grants as the grants making 93 per cent of Total Revenue.

Table 3 Operating Transfers and Grants Receipts

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand										
RECEIPTS:										
<u>Operating Transfers and Grants</u>	1, 2									
National Government:		49 856	36 606	40 771	48 852	48 852	48 852	64 955	68 119	71 077
Local Government Equitable Share		37 856	22 306	27 617	37 118	37 118	37 118	49 368	50 337	49 344
Finance Management		1 200	1 500	1 650	1 800	1 800	1 800	1 800	1 825	1 900
Municipal Systems Improvement		800	800	890	934	934	934	930	957	1 033
Integrated National Electrification Programme		10 000	12 000	9 000	8 000	8 000	8 000	10 000	15 000	18 800
EPWP		–	–	1 000	1 000	1 000	1 000	1 000	–	–
Municipal Infrastructure Grant (PMU FEES)		–	–	614	–	–	–	–	–	–
Municipal Demarcation Transition Grant		–	–	–	–	–	–	1 857	–	–
–		–	–	–	–	–	–	–	–	–
Provincial Government:		1 300	1 513	2 255	950	1 076	1 076	997	1 050	1 103
Sport and Recreation		500	675	1 350	150	150	150	–	–	–
Provincialisation of Libraries		800	838	766	800	800	800	827	871	915
Community Library Services		–	–	139	–	126	126	170	179	188
EPWP		–	–	–	–	–	–	–	–	–
District Municipality:		–	–	–	–	–	–	–	–	–
[insert description]		–	–	–	–	–	–	–	–	–
Other grant providers:		–	–	–	–	–	–	–	–	–
[insert description]		–	–	–	–	–	–	–	–	–
Total Operating Transfers and Grants	5	51 156	38 119	43 026	49 802	49 928	49 928	65 952	69 169	72 180
Capital Transfers and Grants										
National Government:		14 439	11 915	8 129	13 902	14 427	14 427	14 345	14 748	15 352
Municipal Infrastructure Grant (MIG)		14 439	11 915	8 129	13 902	14 427	14 427	14 345	14 748	15 352
–		–	–	–	–	–	–	–	–	–
–		–	–	–	–	–	–	–	–	–
–		–	–	–	–	–	–	–	–	–
–		–	–	–	–	–	–	–	–	–
–		–	–	–	–	–	–	–	–	–
Provincial Government:		–	–	–	–	–	–	–	–	–
Other capital transfers/grants [insert description]		–	–	–	–	–	–	–	–	–
District Municipality:		–	–	–	–	–	–	–	–	–
[insert description]		–	–	–	–	–	–	–	–	–
Other grant providers:		–	–	–	–	–	–	–	–	–
[insert description]		–	–	–	–	–	–	–	–	–
Total Capital Transfers and Grants	5	14 439	11 915	8 129	13 902	14 427	14 427	14 345	14 748	15 352
TOTAL RECEIPTS OF TRANSFERS & GRANTS		65 595	50 034	51 155	63 704	64 355	64 355	80 297	83 917	87 532

The above table shows the receipts of Grants funded by both National Government and Provincial Government as per DORA and Provincial Gazette.

1.5 OPERATING EXPENDITURE FRAMEWORK

Table 4 Summary of operating expenditure by standard classification item

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework				
		R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Expenditure By Type													
Employee related costs	2	13 674		16 513		17 660	25 343	24 628	24 628	24 628	27 949	28 304	29 606
Remuneration of councillors		3 642		3 756		3 798	5 307	5 307	5 307	5 307	5 307	5 625	5 957
Debt impairment	3	15		1 299		(27)	310	310	310	310	326	290	342
Depreciation & asset impairment	2	2 632		4 473		4 436	3 150	4 715	4 715	4 715	4 715	5 100	4 951
Finance charges		324		275		181	51	51	51	51	250	430	275
Bulk purchases	2	—		—		—	—	—	—	—	—	—	—
Other materials	8	541		775		343	1 150	1 698	1 698	1 698	1 440	3 250	1 500
Contracted services		6		—		298	1 402	1 414	1 414	1 414	1 559	1 650	1 637
Transfers and grants		6 964		9 610		13 878	8 500	8 500	8 500	8 500	10 600	15 700	19 600
Other expenditure	4, 5	42 460		16 107		14 740	10 304	8 217	8 217	8 217	13 410	12 586	11 273
Loss on disposal of PPE		—		—		—	—	—	—	—	—	—	—
Total Expenditure		70 259		52 806		55 306	55 516	54 839	54 839	54 839	65 555	72 935	75 141

1.3.10 Employee Related Costs

This refers to the salaries and benefits paid to employees. An amount of R27, 948m is budgeted in the 2015/2016 financial year when compared to the amount of R24 378m of 2014/2015 Adjustment budget. Which equals 42 per cent of the total Expenditure due to the reason that the municipality has opened many positions of which we deemed to be critical and important. An increase of salaries of 6.80 percent also contributed to the 37per cent increase in employee related costs

1.3.11 Remuneration of Councillors

An amount of R 5 307m for councillors allowances and benefits is budgeted for in the 2015/2016 financial year when compared with the 2014/2015 financial year budget of R5 307m The budget for Remuneration of Councillors never increase . This budget is in line with the councillor's upper limits gazetted by minister for category 1 municipality, The reason for not any change was because during 2014/2015 financial year we budgeted high as we were expecting instruction from SALGA for councillors increment but till we adjust our budget we never got any instruction so as a results the Amount of R5,3m is reasonable as our budget was high from the start.

1.3.12 Dept Impairment

This refers to the provision of debt impairment for 2015/2016 which is estimated to be R325 500

1.3.13 Depreciation and Asset Impairment

This refers to the provision of depreciation, amortisation and asset impairment as required by applicable standards that it must be provided for in line with asset management policy. An amount of R4, 7m was approved. Our budget we seem as reasonable as we calculated it from 2013/14 AFS in addition to 2014/15 additions but we hoping to have an accurate and

appropriate figure during 2015/2016 adjustment budget because by that time we will be having 2014/2015 Audited AFS but also bear in mind that during 2013/14 financial year we got bad results of which it was a disclaimer and Assets were the main reason for such results we hoping to have accurate figures inn this current financial year as we will be assisted by consultants on Assets management.

1.3.14 Finance Charges

This refers to charges of machines under finance lease and our Bank Charges, the approved amount is R250 000 is for interest charged and Bank Charges.

1.3.15 Other Expenditure

This refers to the other expenditures incurred by the municipality. An amount of R13, 4m is budgeted for in the 2015/2016 financial year when compared to 2014/2014 Adjustment budget of R8,217m. This budget is for general expenses like advertising, printing and stationery, S & T expenses, consultancy fees, audit fees and EPWP programme. General Expenses with Total amount of R630 00. Which as totals of SOD Turning, Public Participation, IDP Forums and Roadshows and Cleaning material.

1.3.16 Transfers and Grants

This refers to the certain transfers non-cash, which the municipality will receive from National and Provincial Departments as well as indigent support to communities that qualifies to get indigent support. The approved budget is R 10, 6m and is made up by the following:

- An amount of R10m is funded by Department of Energy (National)
- An amount of R600 000 will be funded internal for Indigent support on free basic electricity

1.3.17 Contracted Services

This refers to all contracted services to other parties that provide services on behalf of the municipality. The approved amount was R 1 559m and which is as a result mainly the increase in security expenditure and management contracts in line with existing contracts.

Table 5 Operational repairs and other Materials

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Repairs and Maintenance	8										
Employee related costs									197	207	217
Other materials		15	775	343	1 150	1 698	1 698	–	1 440	3 170	1 470
Contracted Services		–	–	–	–	–	–	–	–	–	–
Other Expenditure		–	–	–	–	–	–	–	–	–	–
Total Repairs and Maintenance Expenditure	9	15	775	343	1 150	1 698	1 698	–	1 637	3 377	1 687

This refers to the budget of repairs and maintenance and other materials. The approved budget for other materials of R40 000 and repairs and maintenance R1 400 000. The municipality has added these two items to one item due to the reason that repairs and maintenance are the repairs that are done internally and the equals to 21 percent of total Expenditure. An amount of R196 000.00 for employees related cost for handy man as he was appointed to do internal repairs only, has been populated on table SA1

1.4 CAPITAL BUDGET

The approved budget for capital budget was R 14, 345m The total of capital budget including internal generated fund is R16, 548m.

1.4.1 Capital Transfers

Vote Description R thousand	Ref 1	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Capital Expenditure - Standard											
<i>Governance and administration</i>		4 065	116	506	250	170	170	170	1 600	3 150	1 300
Executive and council		3 547	108	356	—	—	—	—	1 300	2 900	1 150
Budget and treasury office		518	8	150	250	170	170	170	300	250	150
Corporate services		—	—	—	—	—	—	—	—	—	—
<i>Community and public safety</i>		10 492	9 454	6 603	11 052	11 477	11 477	11 477	11 361	11 591	4 544
Community and social services		6 392	9 454	850	8 867	8 867	8 867	8 867	8 968	11 061	3 838
Sport and recreation		4 100	—	5 553	2 085	2 610	2 610	2 610	1 794	530	706
Public safety		—	—	200	100	—	—	—	600	—	—
Housing		—	—	—	—	—	—	—	—	—	—
Health		—	—	—	—	—	—	—	—	—	—
<i>Economic and environmental services</i>		—	1 160	3 144	3 238	3 078	3 078	3 078	3 587	3 657	11 514
Planning and development		—	1 160	3 144	3 238	128	128	128	—	2 000	11 514
Road transport		—	—	—	—	2 950	2 950	2 950	3 587	1 657	—
Environmental protection		—	—	—	—	—	—	—	—	—	—
<i>Trading services</i>		—	—	—	—	—	—	—	—	—	—
Electricity		—	—	—	—	—	—	—	—	—	—
Water		—	—	—	—	—	—	—	—	—	—
Waste water management		—	—	—	—	—	—	—	—	—	—
Waste management		—	—	—	—	—	—	—	—	—	—
<i>Other</i>		—	—	—	—	500	500	500	—	—	—
Total Capital Expenditure - Standard	3	14 557	10 729	10 253	14 540	15 225	15 225	15 225	16 548	18 398	17 358

1.4.1.1 National and Provincial

For 2015/16 an amount of R16, 5m has been appropriated for the development of infrastructure assets. This refers to transfers from National Treasury for capital projects.

The budget is R16, 5m including internal generated funds for 2015/16 financial year it has been Increased compared to the Adjustment budget for 2014/15, its has been increased by R1,3m. The outer years has been increased to R18,3m and 17, 3m, This budget is for new projects, there is one budget for renewal of existing assets

1.4.1.2 Internal Funding

The internal funded capital budget has been approved is an amount of R2, 2m. This budget is for the acquiring assets like furniture, computer equipment and Municipal new vehicles.

PART 2

2.1 Budget Financial Performance (revenue and expenditure)

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand	1										
Revenue By Source											
Property rates	2	259	358	319	1 086	475	475	475	665	990	1 130
Property rates - penalties & collection charges		129	41	-	-	-	-	-	-	-	-
Service charges - electricity revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue	2	232	141	85	43	60	60	60	80	90	48
Service charges - other		-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		207	311	157	339	237	237	237	282	294	207
Interest earned - external investments		852	577	703	360	360	360	360	372	361	384
Interest earned - outstanding debtors		-	-	-	32	32	32	32	33	34	36
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines		1 623	545	68	200	42	42	42	300	350	300
Licences and permits		282	176	142	2 051	1 508	1 508	1 508	2 405	2 951	3 589
Agency services		-	-	-	-	-	-	-	-	-	-
Transfers recognised - operational		59 055	44 080	46 777	49 802	49 928	49 928	49 928	65 952	69 169	72 180
Other revenue	2	1 010	333	984	53	1 025	1 025	1 025	158	205	180
Gains on disposal of PPE		-	-	-	2 150	2 150	2 150	2 150	250	-	150
Total Revenue (excluding capital transfers and contributions)		63 648	46 562	49 236	56 116	55 816	55 816	55 816	70 497	74 442	78 204
Expenditure By Type											
Employee related costs	2	13 674	16 513	17 660	25 343	24 628	24 628	24 628	27 949	28 304	29 606
Remuneration of councillors		3 642	3 756	3 798	5 307	5 307	5 307	5 307	5 307	5 625	5 957
Debt impairment	3	15	1 299	(27)	310	310	310	310	326	290	342
Depreciation & asset impairment	2	2 632	4 473	4 436	3 150	4 715	4 715	4 715	4 715	5 100	4 951
Finance charges		324	275	181	51	51	51	51	250	430	275
Bulk purchases	2	-	-	-	-	-	-	-	-	-	-
Other materials	8	541	775	343	1 150	1 698	1 698	1 698	1 440	3 250	1 500
Contracted services		6	-	298	1 402	1 414	1 414	1 414	1 559	1 650	1 637
Transfers and grants		6 964	9 610	13 878	8 500	8 500	8 500	8 500	10 600	15 700	19 600
Other expenditure	4, 5	42 460	16 107	14 740	10 304	8 217	8 217	8 217	13 410	12 586	11 273
Loss on disposal of PPE		-	-	-	-	-	-	-	-	-	-
Total Expenditure		70 259	52 806	55 306	55 516	54 839	54 839	54 839	65 555	72 935	75 141
Surplus/(Deficit)		(6 611)	(6 244)	(6 070)	600	977	977	977	4 942	1 507	3 063
Transfers recognised - capital		6 540	4 554	10 491	13 902	14 427	14 427	14 427	14 345	14 748	15 352
Contributions recognised - capital		-	-	-	-	-	-	-	-	-	-
Contributed assets		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		(71)	(1 690)	4 420	14 502	15 404	15 404	15 404	19 287	16 255	18 415
Taxation		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation		(71)	(1 690)	4 420	14 502	15 404	15 404	15 404	19 287	16 255	18 415
Attributable to minorities		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality		(71)	(1 690)	4 420	14 502	15 404	15 404	15 404	19 287	16 255	18 415
Share of surplus/ (deficit) of associate	7	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year		(71)	(1 690)	4 420	14 502	15 404	15 404	15 404	19 287	16 255	18 415

The above table shows the consolidated financial performance for Hlabisa local municipality, its Revenue and Expenditure.

2.2 Councillors and employee benefits

Due to the number of positions filled in the 2014/2015 financial year and other ones still need to be filled, employee related costs have been adjusted upwards and the Municipality is above the National Treasury Threshold on employee related costs which is between 25-42 percent. Currently the municipality employee related costs threshold is 42% of the total operating expenditure.

Summary of Employee and Councillor remuneration R thousand	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
	1	A	B	C	D	E	F	G	H	I
Councillors (Political Office Bearers plus Other)										
Basic Salaries and Wages		2 124	2 238	1 559	3 961	3 961	3 961	3 961	4 164	4 198
Pension and UIF Contributions		–	–	–	–	–	–	–	–	–
Medical Aid Contributions		–	–	–	–	–	–	–	–	–
Motor Vehicle Allowance		–	–	–	958	958	958	958	1 015	1 259
Cellphone Allowance		–	–	–	316	316	316	316	355	398
Housing Allowances		–	–	–	–	–	–	–	–	–
Other benefits and allowances		1 518	1 518	2 239	71	71	71	71	90	102
Sub Total - Councillors		3 642	3 756	3 798	5 306	5 306	5 306	5 306	5 625	5 957
% increase	4		3.1%	1.1%	39.7%	–	–	–	6.0%	5.9%
Senior Managers of the Municipality	2									
Basic Salaries and Wages		1 130	1 232	1 530	2 791	2 033	2 033	2 401	2 791	3 041
Pension and UIF Contributions		103	65	15	54	54	54	104	54	61
Medical Aid Contributions		–	–	–	–	–	–	–	–	–
Overtime		–	–	–	–	–	–	–	–	–
Performance Bonus		–	–	–	337	–	–	–	–	–
Motor Vehicle Allowance	3	205	486	231	675	475	475	582	675	726
Cellphone Allowance	3	–	42	42	179	74	74	61	179	204
Housing Allowances	3	–	132	180	416	216	216	270	416	426
Other benefits and allowances	3	1 691	283	264	449	449	449	296	449	462
Payments in lieu of leave		–	–	–	–	50	50	–	–	–
Long service awards		–	–	–	–	–	–	–	–	–
Post-retirement benefit obligations	6	–	–	–	–	–	–	–	–	–
Sub Total - Senior Managers of Municipality		3 130	2 240	2 262	4 903	3 351	3 351	3 713	4 565	4 919
% increase	4		(28.4%)	1.0%	116.8%	(31.6%)	–	10.8%	23.0%	7.8%
Other Municipal Staff										
Basic Salaries and Wages		7 484	9 759	11 239	14 222	15 125	15 125	16 129	15 739	16 416
Pension and UIF Contributions		8 918	28	94	1 945	1 945	1 945	1 899	1 949	2 042
Medical Aid Contributions		226	336	479	1 149	1 149	1 149	1 149	1 149	1 207
Overtime		855	824	497	650	512	512	600	650	927
Performance Bonus		–	–	–	–	–	–	–	–	–
Motor Vehicle Allowance	3	812	526	666	820	737	737	1 609	1 516	1 128
Cellphone Allowance	3	838	841	735	347	453	453	473	347	585
Housing Allowances	3	883	527	288	722	569	569	868	723	769
Other benefits and allowances	3	212	1 433	1 447	585	585	585	738	766	624
Payments in lieu of leave		–	–	–	–	200	200	769	900	989
Long service awards		–	–	–	–	–	–	–	–	–
Post-retirement benefit obligations	6	–	–	–	–	–	–	–	–	–
Sub Total - Other Municipal Staff		20 230	14 273	15 446	20 441	21 275	21 275	24 236	23 739	24 687
% increase	4		(29.4%)	8.2%	32.3%	4.1%	–	13.9%	(2.0%)	4.0%
Total Parent Municipality		27 002	20 269	21 506	30 649	29 932	29 932	33 255	33 929	35 563
				(24.9%)	6.1%	42.5%	(2.3%)	–	11.1%	2.0%

2.3 Financial Position

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand											
ASSETS											
Current assets											
Cash		32	40	49	233	1 749	1 749	1 749	276	290	304
Call investment deposits	1	8 642	6 832	2 557	7 408	7 408	7 408	7 408	8 028	8 417	-
Consumer debtors	1	598	418	382	389	389	389	389	349	643	367
Other debtors		1 223	130	83	1	1	1	1	2	3	3
Current portion of long-term receivables		-	-	-	1 911	913	913	913	1 385	1 198	1 239
Inventory	2	44	8	3	134	7	7	7	6	7	6
Total current assets		10 539	7 429	3 074	10 076	10 468	10 468	10 468	10 046	10 558	1 920
Non current assets											
Long-term receivables		-	-	-	-	-	-	-	-	-	-
Investments		-	-	-	-	-	-	-	-	-	-
Investment property		2 363	18 544	18 544	193	18 544	18 544	18 544	19 471	20 445	21 467
Investment in Associate		-	-	-	-	-	-	-	-	-	-
Property, plant and equipment	3	72 392	69 986	75 978	95 167	86 209	86 209	86 209	96 842	107 139	118 040
Agricultural		-	-	-	-	-	-	-	-	-	-
Biological		-	-	-	-	-	-	-	-	-	-
Intangible		668	403	228	723	723	723	723	403	423	444
Other non-current assets		14	1 696	1 696	4 487	4 082	4 082	4 082	2 017	2 300	2 170
Total non current assets		75 437	90 629	96 446	100 570	109 558	109 558	109 558	118 733	130 307	142 121
TOTAL ASSETS		85 976	98 058	99 520	110 646	120 026	120 026	120 026	128 779	140 864	144 041
LIABILITIES											
Current liabilities											
Bank overdraft	1	1 700	665	856	-	-	-	-	-	-	-
Borrowing	4	414	385	444	-	-	-	-	-	-	-
Consumer deposits		-	-	-	30	30	30	30	16	17	18
Trade and other payables	4	11 962	16 035	13 270	9 333	9 333	9 333	9 333	9 130	9 917	2 983
Provisions		-	-	-	857	857	857	857	555	583	612
Total current liabilities		14 076	17 084	14 569	10 220	10 220	10 220	10 220	9 702	10 517	3 613
Non current liabilities											
Borrowing		1 317	932	488	169	169	169	169	-	-	-
Provisions		-	-	-	-	-	-	-	-	-	-
Total non current liabilities		1 317	932	488	169	169	169	169	-	-	-
TOTAL LIABILITIES		15 392	18 016	15 058	10 389	10 389	10 389	10 389	9 702	10 517	3 613
NET ASSETS	5	70 584	80 042	84 462	100 257	109 637	109 637	109 637	119 077	130 348	140 428
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		70 584	80 042	84 462	70 168	73 301	73 301	73 301	119 077	130 348	140 428
Reserves	4	-	-	-	30 089	36 336	36 336	36 336	-	-	-
Minorities' interests		-	-	-					-	-	-
TOTAL COMMUNITY WEALTH/EQUITY	5	70 584	80 042	84 462	100 257	109 637	109 637	109 637	119 077	130 348	140 428

References

The above table indicates the assets, liabilities and equity of Hlabisa Municipality for the Financial year 2015/16. The item on non-current liabilities Borrowings and Current Liabilities has reflected R0 balance, this is due to machines rentals contract are ending by 2015/2016 financial year. The amount of R8,02 m its unspent housing grant that has been invested since year 2005.

2.4 Cash backed reserved/Accumulated Surplus Reconciliation

Description R thousand	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Cash and investments available											
Cash/cash equivalents at the year end	1	6 974	6 207	1 749	233	8 211	8 211	8 211	7 096	10 737	16 682
Other current investments > 90 days		–	–	(0)	7 408	946	946	946	1 208	(2 030)	(16 377)
Non current assets - Investments	1	–	–	–	–	–	–	–	–	–	–
Cash and investments available:		6 974	6 207	1 749	7 641	9 157	9 157	9 157	8 304	8 707	304
Application of cash and investments											
Unspent conditional transfers		10 250	11 649	5 122	7 408	7 408	7 408	7 408	8 028	8 417	2 000
Unspent borrowing		–	–	–	–	–	–	–	–	–	–
Statutory requirements	2	–	–	–	–	–	–	–	–	–	–
Other working capital requirements	3	711	3 835	7 656	1 864	1 870	1 870	1 870	1 066	1 409	922
Other provisions		–	–	–	–	–	–	–	–	–	–
Long term investments committed	4	–	–	–	–	–	–	–	–	–	–
Reserves to be backed by cash/investments	5	–	–	–	–	–	–	–	–	–	–
Total Application of cash and investments:		10 961	15 484	12 778	9 272	9 278	9 278	9 278	9 094	9 826	2 922
Surplus(shortfall)		(3 987)	(9 277)	(11 028)	(1 631)	(121)	(121)	(121)	(790)	(1 119)	(2 618)

The amount of R8,02m for 2015/16 budget is budgeted, the reason for that it's because but there is a housing grant which sitting on our investment since year 2005 and we investigated about it from Department of Human Settlement it seems there is no intention to allow the municipality to spend that money from the department of Human Settlement. This funding was for disaster programmes.

2.5 Cash Flow Statement

KZN274 Hlabisa - Table A7 Budgeted Cash Flows

Description R thousand	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates, penalties & collection charges		2 056	1 912	1 856	597	474	474	474	399	693	904
Service charges		54	64	74	24	106	106	106	48	63	38
Other revenue		20 197	—	—	2 636	3 903	3 903	3 903	1 787	2 659	3 421
Government - operating	1	55 564	36 719	47 789	49 802	49 928	49 928	49 928	65 952	69 169	72 180
Government - capital	1	10 000	11 915	9 479	13 902	14 427	14 427	14 427	14 345	14 748	15 352
Interest		852	577	703	360	360	360	360	223	252	307
Dividends		—	—	—	—	—	—	—	—	—	—
Payments											
Suppliers and employees		(20 511)	(30 537)	(41 540)	(44 466)	(41 264)	(41 264)	(41 264)	(49 615)	(51 415)	(49 973)
Finance charges		(324)	(275)	(181)	(51)	(51)	(51)	(51)	(250)	(430)	(275)
Transfers and Grants	1	(56 299)	(10 000)	(12 000)	(8 500)	(8 500)	(8 500)	(8 500)	(10 600)	(15 700)	(19 600)
NET CASH FROM/(USED) OPERATING ACTIVITIES		11 588	10 376	6 180	14 305	19 383	19 383	19 383	22 290	20 039	22 354
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		—	—	—	—	2 473	2 473	2 473	—	—	—
Decrease (Increase) in non-current debtors		—	—	—	—	—	—	—	—	—	—
Decrease (increase) other non-current receivables		—	—	—	—	—	—	—	—	—	—
Decrease (increase) in non-current investments		—	—	—	—	—	—	—	—	—	—
Payments											
Capital assets		(14 583)	(10 729)	(10 253)	(13 902)	(15 225)	(15 225)	(15 225)	(14 345)	(14 748)	(15 352)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(14 583)	(10 729)	(10 253)	(13 902)	(12 752)	(12 752)	(12 752)	(14 345)	(14 748)	(15 352)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		—	—	—	—	—	—	—	—	—	—
Borrowing long term/refinancing		1 258	—	—	—	—	—	—	—	—	—
Increase (decrease) in consumer deposits		—	—	—	—	—	—	—	—	—	—
Payments											
Repayment of borrowing		—	(414)	(385)	(169)	(169)	(169)	(169)	(1 125)	(1 650)	(1 057)
NET CASH FROM/(USED) FINANCING ACTIVITIES		1 258	(414)	(385)	(169)	(169)	(169)	(169)	(1 125)	(1 650)	(1 057)
NET INCREASE/ (DECREASE) IN CASH HELD		(1 736)	(767)	(4 458)	233	6 462	6 462	6 462	6 820	3 641	5 945
Cash/cash equivalents at the year begin:	2	8 711	6 974	6 207	—	1 749	1 749	1 749	276	7 096	10 737
Cash/cash equivalents at the year end:	2	6 974	6 207	1 749	233	8 211	8 211	8 211	7 096	10 737	16 682

The above table shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget. The approved 2014/15 Adjustment budget provide for cash at year end of R8, 2m where's at year 2015/2016 it reflect ending balance of R7, 096m if which that was decrease compare to 2014/15 adjustment budget the reason behind was due our opening balance which is low .

On our revenue we have estimated the inflows of 60 per cent as our collection rate is always low due to the reason that we are in rural area our debtors delay on their payments, but we only expecting 100 per cent on Grants as we normally received 100% as our municipality is more depending on Grants.

On our Expenditure we expect 100 per cent payments.

3. Recommendations

It is recommended

- That the 2015/2016 Draft budget be approved and adopted by Council in the prescribed framework i.e. A1 Schedule.

